

COMMONWEALTH OF VIRGINIA
MINUTES OF THE VIRGINIA GAS AND OIL BOARD HEARINGS
May 17, 2011

Pursuant to Sections 45.1-361.9B and 45.1361.22.B of the Code of Virginia, the Virginia Gas and Oil Board held its regularly scheduled monthly hearing commencing at 9:10 a.m. on Tuesday, May 17, 2011, at the Russell County Government Conference Center, and 139 Highland Drive, Lebanon, Virginia.

Board members present were: Bradley C. (Butch Lambert), Chairman, Mary Quillen, Bruce Prather, Donnie Ratliff, Bill Harris and Katie Dye.

Also present were Sharon M. B. Pigeon, Sr. Assistant Attorney General, David Asbury, Principal Executive to the Board and Diane Davis, Programs Specialist.

1. The board will receive public comments.
Comments were received from Juanita Sneeuwjagt regarding protection of property and correlative rights.
2. A petition from EQT Production Company for disbursement of funds from escrow for unit 535874, Hurricane District, Buchanan County, Virginia. The petition is for the disbursement of a Tract 4. Docket Number VGOB-04-0921-1336-01.
The disbursement petition was approved with the account being closed after disbursement.
3. A petition from CNX Gas Company, LLC for disbursement of funds from escrow for unit BA-110, New Garden District, Russell County, Virginia. The petition is for the disbursement of Tract 4A. Docket Number VGOB-02-0917-1072-01.
The applicant requested, and was granted a continuance to June 2011 hearing.
4. A petition from CNX Gas Company, LLC for disbursement of funds from escrow for unit AV-127, Maiden Springs/New Garden Districts, Tazewell/Russell County, Virginia. The petition is for the disbursement of Tract 1B. Docket Number VGOB-04-1214-1365-01.
The disbursement petition was approved by the Board.
5. A petition from CNX Gas Company, LLC for disbursement of funds from escrow for unit Y26, Hurricane/Garden Districts, Buchanan County, Virginia. The petition is for the disbursement of additional funds erroneously deposited by the operator after a disbursement order was issued by the Board. The petition is asking the board to pay funds from Tracts 1A, 1B, 1C, 1D, 1F, 1G, 1H, 1I, 1J and 3B. Docket Number VGOB-01-0918-0923-02.
The disbursement petition was approved by the Board.

6. A petition from CNX Gas Company, LLC for disbursement of funds from escrow for unit T-28, Garden District, Buchanan County, Virginia. The petition is for disbursement of a portion of Tract 5. Docket Number VGOB-97-0218-0565-02. Continued from February 2011.
The applicant requested, and was granted a continuance to June 2011 hearing.
7. A petition from CNX Gas Company, LLC for disbursement of funds from escrow for unit U-27, Garden District, Buchanan County, Virginia. The petition is for disbursement of a portion of Tract 2. Docket Number VGOB-97-0218-0563-03. Continued from February 2011.
The applicant requested, and was granted a continuance to June 2011 hearing.
8. A petition from CNX Gas Company, LLC for disbursement of funds from escrow for unit U-28, Garden District, Buchanan County, Virginia. The petition is for disbursement of a portion of Tract 1. Docket Number VGOB-97-0218-0564-02. Continued from February 2011.
The applicant requested, and was granted a continuance to June 2011 hearing.
9. A petition from Appalachian Energy, Inc. for pooling of a coalbed methane unit AE-235 (Unit H-101), North Grundy District, Buchanan County, Virginia. Docket Number VGOB-11-0125-2899. Continued from January 25, 2011.
The applicant requested and was granted a continuance to August 2011.
10. The Board will hear an appeal of the decision rendered by the Division Director relative to Informal Fact Finding Hearing IFFH 24006. Docket Number VGOB 11-0419-2941. Continued from April 2011.
The Board affirmed the decision of the Director of the Division of Gas and Oil.
11. A petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit 292 VA Unit A-34, Garden District, Buchanan County, Virginia. Docket Number VGOB-11-0315-2928. Continued from April 2011.
The applicant requested and was granted a continuance to June 2011.
12. A petition from CNX Gas Company, LLC, for re-pooling of coalbed methane unit BB-107 in the Middle Ridge 1 Coalbed Methane Gas Field, New Garden District, Russell County, Virginia. Docket Number VGOB 09-0915-2596-01. Continued from April 2011.
The petition for re-pooling was approved by the Board.
13. A petition from Range Resources-Pine Mountain, Inc. for the establishment of a 320 acre provisional drilling unit (RR 2940) for drilling of horizontal conventional gas wells, Sandlick District, Dickenson County, Virginia. Docket Number VGOB 11-0419-2940. Continued from April 2011.
The petition was approved by the Board.
14. A petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well 900042, Rock Lick District, Buchanan County, Virginia. Docket Number VGOB 11-0419-2932. Continued from April 2011.

The applicant requested and was granted a continuance to June 2011.

15. A petition from CNX Gas Company, LLC for the pooling of coalbed methane unit AY-109, New Garden District, Russell County, Virginia. Docket Number VGOB-11-0517-2941.

The petition was approved by the Board.

16. A petition from CNX Gas Company, LLC for the creation and pooling of a 320 acre conventional horizontal provisional drilling unit, G10SH, South Grundy District, Buchanan County, Virginia. Docket Number VGOB-11-0517-2943.

The petition was approved by the Board.

17. A petition from CNX Gas Company, LLC for the creation and pooling of a 320 acre conventional horizontal provisional drilling unit, D20SH, Garden District, Buchanan County, Virginia. Docket Number VGOB-11-0517-2944.

The petition was approved by the Board.

18. A petition from CNX Gas Company, LLC for the creation and pooling of a 320 acre conventional horizontal provisional drilling unit, TTT28SH, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-11-0517-2945.

The petition was approved by the Board.

19. A petition from CNX Gas Company, LLC for re-pooling coalbed methane unit AY-108, New Garden District, Russell County, Virginia. Docket Number VGOB-01-0821-0914-01.

The petition was approved by the Board.

20. A petition from CNX Gas Company, LLC for re-pooling coalbed methane unit AZ-108, New Garden District, Russell County, Virginia. Docket Number VGOB-04-0217-1256-01.

The petition was approved by the Board.

21. A petition from CNX Gas Company, LLC for re-pooling coalbed methane unit AZ-109, New Garden District, Russell County, Virginia. Docket Number VGOB-03-1118-1227-01.

The petition was approved by the Board.

22. A petition from CNX Gas Company, LLC for re-pooling coalbed methane unit BA-108, New Garden District, Russell County, Virginia. Docket Number VGOB-04-0217-1257-01.

The petition was approved by the Board.

23. A petition from CNX Gas Company, LLC for re-pooling coalbed methane unit BA-109, New Garden District, Russell County, Virginia. Docket Number VGOB-03-1216-1242-01.

The petition was approved by the Board.

24. A petition from CNX Gas Company, LLC for modification of horizontal gas unit G80SH to allow for additional wells and location exceptions, Rock Lick District, Buchanan County, Virginia. Docket Number VGOB-10-0420-2690-01.
The petition was approved by the Board.
25. A petition from CNX Gas Company, LLC for creation of and pooling of a conventional horizontal drilling unit, I30SH, Garden District, Buchanan County, Virginia. Docket Number VGOB-11-0517-2950.
The petition was withdrawn by the applicant.
26. A petition from Range Resources-Pine Mountain Inc. for the establishment of a 320 acre provisional drilling unit (RR2946) for the drilling of horizontal conventional gas wells, Rock Lick District, Buchanan County, Virginia. Docket Number VGOB-11-0517-2946.
The petition was approved by the Board.
27. A petition from Range Resources-Pine Mountain Inc. for the establishment of a 320 acre provisional drilling unit (RR2947) for the drilling of horizontal conventional gas wells, Sandlick District, Dickenson County, Virginia. Docket Number VGOB-11-0517-2947.
The petition was approved by the Board.
28. A petition from Range Resources-Pine Mountain Inc. for the establishment of a 320 acre provisional drilling unit (RR2948) for the drilling of horizontal conventional gas wells, Sandlick District, Dickenson County, Virginia. Docket Number VGOB-11-0517-2948.
The petition was approved by the Board.
29. A petition from Range Resources-Pine Mountain Inc. for the establishment of a 320 acre provisional drilling unit (RR2949) for the drilling of horizontal conventional gas wells, Prater District, Buchanan County, Virginia. Docket Number VGOB-11-0517-2949.
The petition was approved by the Board.
30. A petition from Range Resources-Pine Mountain Inc. for a well location exception for proposed well 821789, Rock Lick District, Buchanan County, Virginia. Docket Number VGOB-11-0517-2951.
The petition was approved by the Board.
31. A petition from Range Resources-Pine Mountain Inc. for pooling of horizontal conventional gas unit 900060, Sandlick District, Dickenson County, Virginia. Docket Number VGOB-11-0517-2952.
The petition was approved by the Board.
32. A petition from Range Resources-Pine Mountain Inc. for modification of the Nora Coalbed Gas Field to allow for the drilling of one additional well in units 67AE, 67AF, 67AG, 68AE, 68AF, 71AF, 71AG, 72AG, 73AA, 74Y, 74Z, 77Z, 78Y. Docket Number VGOB-89-0126-0009-75.

The petition was approved by the Board for the drilling of one additional well in each unit identified by the petition with the submittal of mine maps reflecting abandoned and active mining activities.

33. A petition from Geomet Operating Company, Inc. for modification of the Oakwood 1 Coalbed Methane Field Order to allow for the combination of CBM Units B-49 and B-50 to create one 86.26 acre unit, Garden District, Buchanan County, Virginia. Docket Number VGOB-93-0216-0325-24.

The petition was approved by the Board.

34. A petition from Geomet Operating Company, Inc. for pooling of coalbed methane unit B49-B50, Garden District, Buchanan County, Virginia served by Rogers 516. Docket Number VGOB-11-0517-2953.

The petition was approved by the Board.

35. A petition from Geomet Operating Company, Inc. for pooling of coalbed methane unit YYY-43, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-11-0517-2954.

The petition was approved by the Board.

36. The Board will receive an update of Board and Division activities from staff.
a) Table 1 is an update from Staff regarding the Escrow Account and Disbursements.

TABLE 1

Quarterly Statement of Account

| Virginia Oil and Gas Board (VGOB) | Wachovia Bank, Escrow Agent for: | | | | | First Bank & Trust, Escrow Agent for: | | | |
|------------------------------------|----------------------------------|------------------|------------------|------------------|------------------|---------------------------------------|-----------------------------|-----------------|------------------|
| | 2005 Year-End | 2006 Year-End | 2007 Year-End | 2008 Year-End | 2009 Year-End | 2010 Year-End | Data through April 30, 2011 | | 2011 Year-End |
| | | | | | | | 2011 1st Qtr | 2011 2nd Qtr | |
| 1 Beginning Value | 10,307,951 | \$ 13,049,865 | \$ 15,942,163 | \$ 18,514,685 | \$ 23,983,291 | \$ 24,142,156 | \$ 26,437,049 | \$ 26,744,357 | \$ 26,437,049 |
| 2 Wachovia Retainage-Transition | | | | | | 815,348 | | | |
| 3 Contributions - Working Interest | | | | | | 16,194 | \$4,329.56 | \$3,019.51 | \$ 7,349 |
| 4 Contributions - Royalty Interest | 2,947,443 | 3,505,651 | 2,880,421 | 5,374,604 | 2,640,340 | 2,803,871 | \$552,674.47 | \$205,053.47 | \$ 757,728 |
| 5 Income (net) / Interest Income | 243,151 | 573,877 | 754,937 | 346,885 | (25,638) | 75,663 | \$34,635.80 | \$11,765.67 | \$ 46,401 |
| 6 Realized Gain / (Loss) | - | - | - | - | - | - | | | \$ - |
| 7 Unrealized Gain / (Loss) | - | - | - | - | - | - | | | \$ - |
| 8 Escrow Agent Fees and Expenses | - | - | - | - | - | (31,525) | (\$6,866.17) | (\$2,200.47) | \$ (9,067) |
| 9 Escrow Audit Fees and Expenses | | | | | | (74,190) | (\$18,196.65) | (\$7,468.13) | \$ (25,665) |
| 10 Correcting Entries | | | | | | - | 50.00 | \$0.00 | \$ 50 |
| 11 Withdrawals / Disbursements | (448,800) | (1,187,230) | (1,062,837) | (252,883) | (1,640,489) | (1,310,467) | (259,318.38) | (709,190.80) | \$ (968,509) |
| 12 Ending Value | 13,049,744 | \$ 15,942,163 | \$ 18,514,685 | \$ 23,983,291 | \$ 24,957,504 | \$ 26,437,049 | \$ 26,744,357 | \$ 26,245,337 | \$ 26,245,337 |

- b) Update of Interest Income and cost tracking relative to ongoing hourly work and the detailed review of individual Escrow Accounts.
- c) Staff provided an update regarding one pending request for Arbitration.
- d) Mr. Prather updated the Board relative to Committee Work considering Horizontal Well “Field” Units and Drilling. The next meeting of the Committee is scheduled for June 27, 2011 and first report projected to come before the Board at its August 2011 hearings.
- e) Mr. Prather lead a discussion regarding funding and support for on-going activities of the Board.

37. The Board will review the April 26th minutes for approval.

The April minutes were approved by the Board.

The meeting adjourned at 5:05 p.m.